

FISCAL YEAR 1999 STATE SPENDING UNDER THE CHILD CARE DEVELOPMENT FUND (CCDF)

Overview: Under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, States are required to submit quarterly financial reports to HHS detailing how they are spending Federal funds. This document provides information obtained from the State financial reports submitted for the Fiscal Year 1999 (October 1, 1998-September 30, 1999).

Child care is a critical support for families moving from welfare to work. In FY 1999, States increased their investments in child care by expending a total (combined Federal and State) of \$8.200 billion. Of that amount, \$5.224 billion were in Federal funds, including \$3.677 billion in FY 1999 CCDF funds and \$943 million in prior year (FYs 1996, 1997 and 1998) CCDF/CCDBG funds. In addition, direct spending under the Temporary Assistance for Needy Families (TANF) program for child care services totaled \$1.99 billion (\$1.38 billion of State Maintenance of Effort (MOE) funds and \$604 million of Federal funds). States also expended \$1.596 billion in State dollars (matching and MOE) under CCDF in FY 1999.

As reported on the TANF financial reports, States transferred \$2.43 billion from TANF to CCDF in FY 1999, which is more than twice the \$914 million transferred in FY 1998 (transferred dollars spent in FY 1999 are included in the \$3.677 billion above).

NOTE: The transfer amounts reported on the TANF financial reports (\$2.43 billion) are different from the transfer amounts reported on the CCDF financial reports (\$2.14 billion) because of the lag-time in processing a transfer and reporting deadlines.

FY 1999 Highlights

Maintenance of Effort (MOE). States are required to continue to spend State funds for child care at a level equal to the greater of their FY 1994 or FY 1995 historic spending levels in the Title IV-A Child Care programs. All States reported that they spent their own funds at the required MOE level of \$887,607,151 in FY 1999. Six States reported spending a total of \$130 million over the required MOE level.

Non-Federal Match. The Matching Fund must be matched by State expenditures in excess of the amount required to satisfy the MOE requirement and at the 1999 Federal Medical Assistance Percentage (FMAP) rate. One State chose not to accept its matching allotment. All other States met the required match for the CCDF Matching Fund. Total State expenditures totaled \$1,596,305,203 which consisted of \$578,400,179 of State match and \$1,017,905,024 of MOE expenditures or 30.2 percent of total State and Federal expenditures.

Temporary Assistance to Needy Families (TANF) Block Grant Transfers. PRWORA authorized States to transfer portions of their TANF grant to either the Child Care Development Fund or the Social Services Block Grant. Forty-three States reported transferring funds to child care in amounts ranging from \$1 million to \$205 million. These States transferred a total of \$2.14 billion of their Federal TANF funds to the Child Care Development Fund. The transferred amounts equal 40.9 percent of the total Federal funds made available to States for CCDF in FY 1999.

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Direct Services. CCDF expenditures spent by States directly on child care services was \$3.4 billion or 79.5 percent of the FY 1999 combined Federal and State CCDF.

Administrative Costs. By law no more than 5 percent of the CCDF funds may be used for administrative costs. State administrative expenditures amounted to \$121 million, or 2.8 percent of FY 1999 total Federal and State expenditures -- well below the limit.

Quality Services. The statute requires a minimum of 4 percent of total expenditures be spent on quality activities. States reported expending \$233 million on improving the quality of child care services, which equates to 5.5 percent of FY 1999 combined Federal and State expenditures.

Non-Direct Services. States reported spending a total of \$517 million in non-direct services or 12.2 percent of total State and Federal expenditures. A breakout of non-direct services expenditures show that roughly \$15 million was spent on child care computer information systems, \$167 million on certification programs and \$285 million on making eligibility determinations and other costs.

Unobligated Balances. States must obligate all of the mandatory fund by the end of the fiscal year in order to be eligible for Federal matching funds. In FY 1999, States obligated 100 percent of the Federal mandatory funds. States also obligated 96.4 percent or \$907.2 million of Federal matching funds awarded in FY 1999. One State chose not to accept its matching allotment (3.6 percent). States were awarded \$974.6 million in discretionary funds and transferred \$2.14 billion from the TANF program into the CCDF discretionary fund, making a total of \$3.11 billion of Federal funds available in the discretionary fund.

TABLE A - - Comparison of Expenditures in Federal Child Care Programs ^{1/}
(Dollars in millions)

Program	Expended in FY 97			Expended in FY 98			Expended in FY 99		
	Federal Share	State Share	Total	Federal Share	State Share	Total	Federal Share	State Share	Total
CCDBG	844	-	844	353	-	353	157	-	157
FFY 97 CCDF	1,681	514	2,195	397	-	397	98	-	98
FFY 98 CCDF	-	-	-	2,738	548	3,286	688	-	688
FFY 99 CCDF	-	-	-	-	-	-	3,677	578	4,255
TANF ^{2/}	14	-	14	259	-	259	604	1,380	1,990
State MOE		945	945	-	1,031	1,031	-	1,018	1,018
TOTAL	\$2,539	\$1,459	\$3,998	\$3,747	\$1,579	\$5,326	\$5,224	\$2,976	\$8,200

^{1/} Expenditures under CCDF program include TANF transfers.

^{2/} Expenditures under the TANF program for child care.